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REPORT ON THE ACTIVITIES OF THE CONTACT GROUP ON AFRICA'S EXTERNAL DEBT CRISIS

A Note by The General Secretariat of the OAU

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INTRODUCTION

1. It is to be recalled that during the Twenty-first Ordinary Session of the Assembly of Heads of State and Government of the Organisation of African Unity (OAU) held from 18 to 20 July 1985, the Assembly adopted the Africa's Priority Programme for Economic Recovery 1986-1990. That programme inter alia calls upon African countries to press for an international conference on Africa's external indebtedness to be convened as a matter of urgency to provide a forum for international creditors and African borrowers to discuss Africa's external debt with a view to arriving at appropriate emergency, short, medium and long-term measures to alleviate Africa's debt problems. In order to pursue that decision the then OAU's current Chairman and the Bureau of the Twenty-first Ordinary Session of the Assembly were requested to make the necessary contact with the multilateral institutions and the major creditors so as to ensure an early convening of the conference. That decision was not implemented however, as much effort was concentrated on the convening of a Special Session of the United Nations General Assembly to discuss specifically Africa's economic crisis.

2. With a view to examining in depth, Africa's mounting debt and excessive debt-service payments, the Heads of State and Government of the OAU met in their Third Extraordinary Assembly in Addis Ababa, on 30 November and 1 December 1987 which was devoted exclusively to Africa's debt crisis. The 3rd Extraordinary OAU Summit adopted the African Common Position on Africa's External Debt Crisis, in which the Heads of State and Government renewed their call for the convening of an International Conference on Africa's External Indebtedness. The Current Chairman of the OAU was mandated to bring the African Common Position to the attention of the international community so that an international Conference on Africa's External Indebtedness could be convened in 1988. The current Chairman was accordingly mandated to constitute a Contact Group at the level of Heads of State and Government to assist and advise him on how best to convene the international conference.

MANDATE OF THE CONTACT GROUP

3. The main task of the Contact Group was to assist and advise the current Chairman on how best to convene the conference on Africa's External Indebtedness. Consequently its terms of reference consist of the following:

(i) to mobilize the necessary political will in support of the Conference from all parties concerned, and to sensitise the international public opinion to that end;

(ii) to design and propose a framework for undertaking consultations with Africa's creditors, including the multilateral institutions and private lenders to establish contacts with them, with a view to persuading them to participate in the Conference, and to agree with them on issues pertaining to the Conference, such as the dates, venue, duration, agenda and other organisational and procedural matters;

(iii) to establish contacts with, sensitize and exchange information with other developing countries in Latin America and Asia within the context of the Non-Aligned Movement and the Group of 77;

(iv) to decide and agree on the role and responsibilities to be assigned to each member of the Contact Group before and during the conference, especially in the process of preparations for the international conference and in the negotiating process;

(v) to assess the results of the contacts and consultations with a view to determining future course of action, and to report to the Current Chairman on the progress achieved in the preparatory actions for organising the Conference.

COMPOSITION OF THE CONTACT GROUP

4. In accordance with the mandate given to the OAU current Chairman 1987/88, H.E. President Kaunda of Zambia, the Contact Group was constituted in February 1988 as follows:

Algeria, Congo, Egypt, Madagascar, Mali, Nigeria, Senegal, Sudan, Tanzania, Zaire, Zambia and Zimbabwe.

Mali has since taken over the Chairmanship of the Contact Group from Zambia.

5. The Contact Group is at the level of Heads of State and Government of the OAU, and reports only to the OAU Assembly of Heads of State and Government. The present document is however submitted to the 3rd Conference of African Ministers of Finance in recognition of the special competance of this body in all financial and monetary issues, including Africa's external debt problem. Secondly, it is the expectation that the participants in the proposed international conference would be Ministers of Foreign/External Affairs and Ministers of Finance/Economic Planning, and as such, the Conference of African Ministers of Finance should be involved in the aspects of the preparation for the conference. Thirdly, Ministers of Finance are always in contact with Africa's creditors, private and official including multilateral finance institutions, and they should be in a position to contribute to the work of the Contact Group, especially in explaining the African Common Position and in strengthening the argumentation as presented in the Aide Memoire on the International Conference (Doc. CG/IV/CONF/1).

ACTIVITIES UNDERTAKEN

First (INAUGURAL) Meeting (March 1988, Lusaka)

6. The first and inaugural meeting of the Contact Group was held at Ministerial Level in Lusaka, Zambia from 21 to 22 March 1988. It was preceded by a two-day preparatory meeting of experts in the same venue. At that meeting the Group worked out the framework and modalities for convening the international conference on Africa's external indebtedness

and articulated the major objectives and expected outcome of the proposed conference. It also decided on the scope of participation. In addition it formulated its work-programme and timetable and defined the duties and responsibilities of the individual members of the Group, especially the creditor countries and institutions as well as non-creditor countries to be contacted by each Member. Specific assignments were also given to the Joint OAU/ECA/ADB/ACMS Secretariat.

7. The following major decisions were taken by the Contact Group at its first meeting:-

(i) that individual members of the Group should undertake preliminary consultations with countries and organisations assigned to them during the period April/May 1988;

(ii) that during the 48th Session of the Council of Ministers (May 1988) there should be a meeting of the Contact Group at Ministerial level at which they would submit a report on their findings and make a preliminary evaluation of the feasibility of convening the Conference within 1988 as directed by the Summit;

(iii) that the Joint Secretariat should prepare a working document on logistics and financing of the conference for consideration at its subsequent meeting in May 1988; and

(iv) that in order to facilitate the preliminary contacts the current Chairman should issue letters of introduction to Member States of the Contact Group.

SECOND MEETING (Addis Ababa May 1988)

8. In accordance with its established programme of work the Contact Group held its second meeting at Ministerial level in Addis Ababa on May 22, 1988 to deal inter alia with the following matters:

(i) receive and evaluate preliminary reports on missions undertaken by the members of the Contact Group;

(ii) attend to administrative matters of the Group and map out new strategies for future actions of the Group; and

(iii) make recommendations to be submitted to the current Chairman for onward transmission to the OAU Assembly of Heads of State and Government for their approval.

9. During that meeting the Group took note of the reports submitted on sensitization, contacts and consultation missions undertaken by its members to the following countries and institutions: Holland, Italy, Federal Republic of Germany, Belgium, the Scandinavian countries, Austria, France, Greece, Spain, Portugal, the United Kingdom, the Paris Club, OECD, OPEC, UNCTAD, BADEA, the International Monetary Fund and the World Bank.

10. On the whole the Group was of the view that the political authorities contacted were generally aware of the magnitude of Africa's external debt crisis. Although no definitive position was taken, they did not however, believe that the global approach of convening an international conference was appropriate. They tended to think that the case-by-case approach was much more pragmatic within the existing international framework and institutions. Some of the creditors expressed doubts on some of the measures proposed in the African Common Position on Africa's external debt crisis bearing in mind the structure of Africa's debt and the differences that exist among African countries. All the creditor countries contacted requested for detailed technical arguments on various issues covered in the African Common Position, within the context of a thorough preparation which, they emphasised, was necessary for success.

11. In its assessment of the missions undertaken the Contact Group agreed that there was a general reluctance to accepting the approach proposed by Africa which sought to address the problem through an International Conference on Africa's external indebtedness. It was also felt that in order to press Africa's case for the convening of the Conference it ought to undertake much more through preparations and launch an intensive and aggressive sensitization campaign.

DECISIONS OF 24TH ASSEMBLY OF OAU

12. Drawing inspiration from the recommendations of the Contact Group, the 24th Assembly of Heads of State and Government of the OAU decided inter alia to:

(i) mandate the current Chairman of the OAU to continue and intensify efforts to mobilize international support with a view to the convening of the International Conference at a most propitious time but not later than the end of 1989 and to that end, requests the Contact Group established for the purpose to continue to assist the Current Chairman in executing his mandate;

(ii) empower the current Chairman to decide, on the basis of contacts with the States concerned on the holding of an International Conference on Africa's External Debt

(iii) request the Contact Group to meet at Ministerial level in New York during the third week of September 1988 in order to take advantage of the discussion of the Report of the Advisory Group on Financial Flows for Africa, within the context of the Mid-term Review of the Implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990;

(iv) request the Secretariats of the OAU, ECA, ADB and the African Centre for Monetary Studies to update the technical studies on Africa's External Debt and, based on the African Common Position on Africa's External Debt Crisis and on the results of the contacts undertaken, to prepare a paper on the major issues for negotiation highlighting new elements and the unique situation of Africa;

(v) request the joint Secretariat to prepare a technical paper on a Common African Position, taking into account the observations and objections of creditor countries and institutions, for submission to the contact countries and institutions;

(vi) further requested the joint Secretariat to organize a Seminar on the African Common Stand, to be attended by African Banking and Financial Experts selected in their personal capacity.

13. In connection with the above, the Secretary-General of UNCTAD was invited to cooperate with the Joint secretariat of the OAU, ECA, ADB and ACMS.

THIRD MEETING (New York September 1988)

14. In conformity with the directives of the 24th Assembly of Heads of State and Government of the OAU as referred to above, the Third Ministerial Meeting of the Contact Group was held on 26 September 1988 in New York. That meeting, inter alia, considered:

(i) the reports on contacts made since the second meeting of the Contact Group in May 1988;

(ii) the recommendations of the meeting of Experts on the reactions of the creditor community to the proposal for an International Conference on Africa's External Indebtedness.

(iii) Future Work-programme of the Contact Group.

15. After considering mission/contact reports submitted to it by members, the Contact Group proceeded to examine the basic working document prepared by the Joint Secretariat. It requested the Joint Secretariat to re-examine, revise, restructure and resubmit the document to the 4th meeting of the Contact Group. The revision was to cover all comments, recommendations made at the meeting, as well as recent developments on Africa's external debt problem, including the decisions of the UN Ad Hoc Committee of the Whole on the review of the

implementation of the United Nations Programme of Action for Africa's Recovery and Development (UNPAAERD), the Toronto Summit and the 1988 annual Joint meeting of the World Bank and IMF held in West Berlin. The Group decided that other recent developments on the African debt issue, including those at the level of the Development Committee of the IMF should be taken into account in the revision. Furthermore, it directed that the title of the document should be changed to indicate that it is an Aide Memoire. As regards the organisation of the international seminar on the African Common Position the Contact Group agreed that there should be only one seminar on the African Common Position to be organized in accordance with the mandate of the Twenty-fourth OAU Summit as contained in Resolution AHG/Res.175(XXIV).

16. It was also agreed that the financing of the Seminar would be considered at the 4th meeting of the Contact Group on the basis of a document to be prepared by the Joint Secretariat on possible sources of finance.

17. Regarding the future Work Programme of the Contact Group the meeting decided that the 4th meeting should take place in Addis Ababa in February 1989 at Ministerial Level so as to review the actions taken by the members of the Group and adopt the revised Aide Memoire. Preparation for the Seminar were also to be reviewed. It was nevertheless decided that members of the Contact Group who would be attending the November 1988 Session of the Permanent Steering Committee should meet to exchange views on the document and to provide further guidance to the Secretariat.

MEETING OF SOME REPRESENTATIVE OF MEMBER STATES OF THE CONTACT GROUP (Addis Ababa, November 1988)

18. The meeting took place in Addis Ababa on 25 November 1988. The main purpose was to examine preparatory arrangements relating to the organisation of the international conference on Africa's External debt Crisis. But since the relevant document was not yet available in the required working languages efforts were directed at reviewing the Aide Memoire on the International Seminar. In that connection the meeting examined the major issues involved in the organisation of the Seminar, such as date, venue, cost of organising the Seminar, number of participants and the substantive issues to be discussed in the Seminar.

19. On the venue the Minister of State for Foreign Affairs of Egypt informed the meeting of Egypt's readiness to host the Seminar in Cairo but not calier than September 1989.

20. Regarding the experts to be invited to the Seminar the meeting agreed that a total of 30 African experts should be invited in their personal capacity to participate in the Seminar; 20 from Africa and 10 from outside Africa. It was further agreed that in addition, government experts from the OAU Member States should participate in the Seminar on behalf of their Governments which would be responsible for their participation.

21. As regards the estimated cost of organising the Seminar the Joint Secretariat was directed to prepare alternative draft estimates for organising the Seminar either in Addis Ababa, Abidjan or Cairo, in order to facilitate comparison of those costs between the three prospective venues.

22. The Joint secretariat was requested to finalise and translate into French the Aide Memoire on the Seminar and circulate it to all member States before 15 December 1988 together with the Aide Memoire on the International Conference, in readiness for the meeting of the Contact Group in February 1989. These two documents are also submitted to the Ministers of Finance, meeting in their 3rd Conference in Bamako.

STATUS OF PREPARATIONS FOR THE INTERNATIONAL SEMINAR ON THE AFRICAN COMMON POSITION ON AFRICA'S EXTERNAL DEBT CRISIS

23. As of now it has been confirmed by the Government of Arab Republic of Egypt that it will host the Seminar on the African Common Position in Cairo from 9 to 11 October 1989.

24. In accordance with the directives of the meetings of the Contact Group held in September in New York and in Addis Ababa in November 1988 respectively the Joint Secretariat met twice to revise the basic working documents. Accordingly the following documents were circulated to member States of the Contact Group and other interested parties in readiness for their 4th meeting:

(i) An Aide Memoire on the proposed International Conference on Africa's External Indebtedness (Document CG/IV/Conf.1)

(ii) An Aide Memoire on the International Seminar on the African Common Position on Africa's External Debt Crisis (Document CG/IV/SEM.1)

(iii) Report on the meeting of the representatives of member States of the Contact Group on Africa's Debt Crisis (Document CG/MTG/RPT.1).

25. In preparation for the seminar and in accordance with the directives of the Contact Group efforts have been made by the Joint Secretariat to identify African and non-African experts. As of now invitations have gone out to ten Eminent Persons. Out of this number three are expected to write papers on the specific issues assigned to each of them.

NEW DEVELOPMENTS ON THE SUBSTANTIVE ISSUES REGARDING AFRICA'S DEBT

26. The most significant development on this issue is the Agreement reached at the Toronto Summit of the Group of 7 most industrialized countries held in June 1988. Under the Toronto Agreement creditors have achieved consensus on rescheduling official debt of those (dent distressed) countries within a framework of comparability that allows official creditors to choose among concessional interest rates usually on shorter maturities, longer repayment periods at commercial rates, partial write offs of debt service obligations during the consolidation period, or a combination of these options». The Paris Club was urged to work out the modalities for implementation.

27. The OAU General Secretariat has received a letter from the British Ambassador to the People's Democratic Republic of Ethiopia in which the proposal of the British Government has been stated. The Ambassador informed the Secretariat that the scheme agreed to in Toronto represents one important element in Britain's response to the problems of external indebtedness of the poorest countries, especially in Africa.

28. In his address to the United Nations General Assembly H. E. Mr. Mikhail Gorbachev the Leader of the Union of Soviet Socialist Republics stated that the burden of external debt constituted one of the greatest problems confronting the world and that the Soviet Union was prepared to institute a lengthy moratorium of up to one hundred years on debt servicing for the least developed countries (LDCs). In some cases they were even prepared to write off those debts altogether.